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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 9666
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 2951
RUEHBJ/AMEMBASSY BEIJING PRIORITY 0771
RUEHKO/AMEMBASSY TOKYO PRIORITY 0647
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1224
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 ASHGABAT 001209

SIPDIS

SENSITIVE
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STATE FOR SCA/CEN, EUR/RUS, EUR/CARC, EEB
PLEASE PASS TO USTDA DAN STEIN
COMMERCE FOR HUEPER
ENERGY FOR EKIMOFF/THOMPSON

E.O. 12958: N/A

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SUBJECT: TURKMENISTAN: U.S. FIRMS SEEKING TO ENTER HYDROCARBON
SECTOR

11. (U) Sensitive but unclassified. Business Sensitive. Not for
public Internet.

12. (U) SUMMARY: Moderate reforms and a promise of a better
investment climate in Turkmenistan by the country's new leadership
have attracted renewed serious interest from U.S. oil majors,
including both old and potential new partners. A September 22-29
U.S. government-funded visit to the United States by high-level
Turkmenistani hydrocarbon officials helped promote some of these new
contacts. The majors can offer more advanced technology and serious
investment in support of Turkmenistan's own plans to expand its
current oil and gas production and export options. Oil companies
also bring to the table issues that would help improve
Turkmenistan's overall investment climate and petroleum legislation.
Many of these firms will be participating in the November 13-15
Turkmenistan International Oil and Gas Exhibition. This cable
offers post's understanding of the state of play of those firms
which have expressed renewed interest in Turkmenistan. END SUMMARY.

THE U.S. FIRMS: MARATHON OIL

13. (SBU) Marathon is the fourth-largest U.S.-based integrated oil
and gas company and the fifth-largest U.S. refiner. Marathon made
its first expression of interest in working in Turkmenistan during
the September visit to the United States by Turkmen hydrocarbon
officials. In particular, Marathon seems interested in bringing to
Turkmenistan a proprietary GTF (Gas-to-Fuel) technology that it is
currently developing. Although Turkmenistan has already received
several similar proposals from non-U.S. companies, Marathon voiced
its readiness to present advantages of its technology, including
lower cost and high conversion efficiency (around 90%). Marathon is
currently building a GTF demonstration plant in the United States.
In an effort to attract more foreign companies to develop offshore
Caspian blocks, State Agency has also requested the company to make
a presentation on its offshore experience and capabilities.
Marathon plans to visit Turkmenistan in the first week of December.

EXXONMOBIL

14. (SBU) In 1996 Mobil joined Monument Oil and Gas (UK) (NOTE: Monument was ultimately taken over by Burren Energy, a UK firm. END NOTE) and the Government of Turkmenistan in the PSA for an onshore block located close to Balkanabat City (formerly Nebitdag). By the end of 1998, ExxonMobil acquired a second onshore PSA -- Garashyzlyk-2 field. In 1998 Exxon Turkmenistan entered into a joint Technical Study Agreement to evaluate the potential for exploration, development and marketing to China of gas from the right bank of the Amu Darya River in eastern Turkmenistan.

15. (SBU) ExxonMobil decided to pull out of Turkmenistan in March 2002. The official reason for this decision was its disappointing test drills. However, there is evidence that the company was forced out due to ExxonMobil's involvement in developing the ACG (Azeri-Chirag-Guneshli) fields in Azerbaijan. According to some press reports, Mobil was invited by Turkmenistan in June 1998 to negotiate an agreement that would allow it to work the Serdar field, located in the disputed territory on the Turkmen-Azeri border. Mobil said it would not begin work until the two states reached an agreement over its ownership.

16. (SBU) Post does not know whether ExxonMobil has made a formal proposal to the Government of Turkmenistan. During the September hydrocarbon visit to the United States, ExxonMobil emphasized that its improved seismic imaging, drilling technology and reservoir modeling are very relevant to Turkmenistan's current needs. An ExxonMobil team will attend TIOGE and hold meetings with Turkmenistan's State Agency for Hydrocarbon Resources and with Deputy Chairman of the Cabinet of Ministers for Oil and Gas Tachberdi Tagyev.

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CONOCOPHILLIPS

17. (SBU) This company has conducted a series of negotiation rounds with the State Agency for the Management and Use of Hydrocarbon Resources. Post is not informed about the contract area ConocoPhillips is negotiating with Turkmenistan. According to some unofficial reports, ConocoPhillips will partner with Russia's Lukoil in this project. A company representative of ConocoPhillips told an embassy economic assistant that the firm is ready to sign a production sharing agreement (PSA) with Turkmenistan during the upcoming TIOGE event.

CHEVRON

18. (SBU) Chevron officials told the Charge in April that, although it is ready to work on oil extraction in Turkmenistan's Caspian basin, the company very much wants to become involved in developing gas production in eastern Turkmenistan. In July Chevron proposed to help develop the offshore Serdar field and resolve the dispute between Turkmenistan and Azerbaijan. Later in September, Chevron offered to form an onshore joint venture in the Amu Darya basin to discover, develop and export sub-salt gas resources. The Executive Director of the State Agency for the Management and Use of Hydrocarbon Resources Bayrammyrat Myradov told the Charge October 2 that such an arrangement would be a "breakthrough solution" if it goes through. Chevron is working to open an initial office in the Ak Altyn Hotel.

AND A NOT-REALLY U.S. FIRM: BP/TNK-BP

19. (SBU) When the Charge first met with representatives of BP Oil International in July, they told him BP wanted to enter Turkmenistan and was working on identifying the most appropriate "vehicle" for penetrating the Turkmenistani market. Options on the table included BP, TNK-BP (a Russia-registered subsidiary of BP), or a combination of BP and TNK-BP. At that time, the BP officials voiced some reservation about TNK-BP which, they said, "is totally separate from us." Since then, TNK-BP senior management have made a series of trips to Turkmenistan and met with President Berdimuhamedov more than once. In follow-up meetings with the Embassy, BP visitors have

probed whether the U.S. government in its energy policy is working to "decrease the influence of Russia and Iran" in Turkmenistan. They have also weighing whether a Russian company has advantages over firms from other countries. TNK-BP i planning to open an office in Ashgabat that will also be used by BP. It remains unclear to us if both firms have equal interest in Turkmenistan, or if they are hedging bets between themselves.

¶11. (SBU) COMMENT: U.S. hydrocarbon firms appear to be ahead of most other foreign companies in their negotiations for joint projects with Turkmenistan. U.S. firms' experience, demonstrated technical expertise, and willingness to consider non-traditional and innovative arrangements in order to address the Government of Turkmenistan's reluctance to allow western firms a foothold in its onshore gas fields seem to be beneficial in this regard. However, Turkmenistani officials' lack of confidence in dealing with international firms remains a potential problem that could cause the still-fragile alliances under discussion to come unstuck. END COMMENT

HOAGLAND